

of the Index during such term subject to a maximum payment amount or ceiling.

The Notes initially conform to the listing guidelines under Section 107A⁸ and continued listing guidelines under Sections 1001–1003⁹ of the Company Guide. The Notes are senior non-convertible debt securities of CSFB. The Notes will have a term of not less than one, nor more than ten years. CSFB will issue the Notes in denominations of whole units (a “Unit”), with each Unit representing a single Note. The original public offering price will be \$1000 per Unit. The Notes will entitle the owner at maturity to receive an amount based upon the percentage change of the

Index. At maturity, if the value of the Index has increased over the term of the Notes, a beneficial owner will be entitled to receive a payment on the Notes equal to three (3) times the amount of that percentage increase, not to exceed a maximum payment (the “Capped Amount”) to be determined at the time of issuance of the Notes. The Notes will not have a minimum principal amount that will be repaid, and accordingly, payment on the Notes prior to or at maturity may be less than the original issue price of the Notes. Accordingly, the Notes are not “principal protected,” and are fully exposed to any decline in the level of

the Index.¹⁰ The Notes are also not callable by the Issuer.

The payment that a holder or investor of a Note will be entitled to receive (the “Redemption Amount”) depends entirely on the relation of the average of the values of the Index at the close of the market on five (5) business days shortly before maturity of the Notes (the “Final Level”) and the closing value of the Index on the date the Notes are priced for initial sale to the public (the “Initial Level”).

If the Final Level is greater than the Initial Level, the Redemption Amount per Unit will equal:

$$\$1000 + \left[3 \times \$1000 \times \left(\frac{\text{Final Level} - \text{Initial Level}}{\text{Initial Level}} \right) \right], \text{ subject to Capped Amount.}^{11}$$

If the Final Level is less than the Initial Level, the Redemption Amount per Unit will equal:

$$\$1000 \times \left(\frac{\text{Final Level}}{\text{Initial Level}} \right)^{12}$$

The Notes are cash-settled in U.S. dollars and do not give the holder any right to receive a portfolio security, dividend payments or any other ownership right or interest in the portfolio or index of securities comprising the Index. The Notes are designed for investors who want to participate or gain exposure to the Index, subject to a cap, and who are willing to forego market interest payments on the Notes during such term. The Commission has previously approved the listing of options on, and securities the performance of which

have been linked to or based on, the Index.¹³

As of May 12, 2003, the market capitalization of the securities included in the Index ranged from a high of \$289.537 billion to a low of \$0.353 billion. The average daily trading volume for these same securities for the last six (6) months ranged from a high of 64.214 million shares to a low of 7.503 million shares¹⁴ and from a high of 3.446 million shares to a low of 0.046 million shares respectively.

Because the Notes are issued in \$1,000 denominations, the Amex's existing floor trading rules will apply to the trading of the Notes. First, pursuant to Amex Rule 411, the Exchange will impose a duty of due diligence on its members and member firms to learn the essential facts relating to every customer prior to trading the Notes.¹⁵ Second, even though the Exchange's debt trading rules apply, the Notes will be subject to

the equity margin rules of the Exchange.¹⁶ Third, the Exchange will, prior to trading the Notes, distribute a circular to the membership providing guidance with regard to member firm compliance responsibilities (including suitability recommendations) when handling transactions in the Notes and highlighting the special risks and characteristics of the Notes. With respect to suitability recommendations and risks, the Exchange will require members, member organizations and employees thereof recommending a transaction in the Notes: (1) To determine that such transaction is suitable for the customer, and (2) to have a reasonable basis for believing that the customer can evaluate the special characteristics of, and is able to bear the financial risks of such transaction. In addition, CSFB will deliver a prospectus in connection with the initial sales of the Notes.

⁸ The initial listing standards for the Notes require: (1) A market value of at least \$4 million; and (2) a term of at least one year. Because the Notes will be issued in \$1,000 denominations, the minimum public distribution requirement of one million units and the minimum holder requirement of 400 shareholders do not apply. In addition, the listing guidelines provide that the issuer has assets in excess of \$100 million, stockholder's equity of at least \$10 million, and pre-tax income of at least \$750,000 in the last fiscal year or in two of the three prior fiscal years. In the case of an issuer which is unable to satisfy the earning criteria stated in Section 101 of the Company Guide, the Exchange will require the issuer to have the following: (1) Assets in excess of \$200 million and stockholders' equity of at least \$10 million; or (2) assets in excess of \$100 million and stockholders' equity of at least \$20 million.

⁹ The Exchange's continued listing guidelines are set forth in Sections 1001 through 1003 of Part 10 to the Exchange's Company Guide. Section 1002(b) of the Company Guide states that the Exchange will consider removing from listing any security where,

in the opinion of the Exchange, it appears that the extent of public distribution or aggregate market value has become so reduced to make further dealings on the Exchange inadvisable. With respect to continued listing guidelines for distribution of the Notes, the Exchange will rely, in part, on the guidelines for bonds in Section 1003(b)(iv). Section 1003(b)(iv)(A) provides that the Exchange will normally consider suspending dealings in, or removing from the list, a security if the aggregate market value or the principal amount of bonds publicly held is less than \$400,000.

¹⁰ A negative return of the Index will reduce the redemption amount at maturity with the potential that the holder of the Note could lose his entire investment.

¹¹ See Amendment No. 2, *supra* note 4.

¹² See Amendment No. 2, *supra* note 4.

¹³ See Securities Exchange Act Release Nos. 19907 (June 24, 1983), 48 FR 30814 (July 5, 1983) (approving the listing and trading of options on the Index); 31591 (December 18, 1992), 57 FR 60253 (December 18, 1992) (approving the listing and

trading of Portfolio Depositary Receipts based on the Index); 27382 (October 26, 1989), 54 FR 45834 (October 31, 1989) (approving the listing and trading of Exchange Stock Portfolios based on the value of the Index); 30394 (February 21, 1992), 57 FR 7409 (March 2, 1992) (approving the listing and trading of a unit investment trust linked to the Index); 45160 (December 17, 2001) 66 FR 66485 (December 26, 2001) (approving the listing and trading of notes based on the Balanced Strategy Index); and 46882 (November 21, 2002), 67 FR 71219 (November 29, 2002) (approving the listing and trading of notes based on the Select Fifty Index).

¹⁴ Telephone conversation between Jeffrey P. Burns, Associate General Counsel, Amex, to Hong-Anh Tran, Special Counsel, Division, Commission, dated May 27, 2003.

¹⁵ Amex Rule 411 requires that every member, member firm or member corporation use due diligence to learn the essential facts, relative to every customer and to every order or account accepted.

¹⁶ See Amex Rule 462.